Action No: 0901-11866

IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE OF CALGARY

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF SHIRE INTERNATIONAL REAL ESTATE INVESTMENTS LTD., SHIRE CAPITAL LTD., HALAMA GARDENS LLC, SHIRE ASSET MANAGEMENT LTD., WINN RIVER RESORT LTD., FORT MCMONEY PROPERTIES II LTD., HALAMA GARDENS LTD, MAPLES AND WHITE SANDS INVESTMENTS LTD., FORT MCMONEY PROPERTIES LTD., CHEMAINUS PROPERTIES LTD., SKAHA LAKE DEVELOPMENT LTD., TSEHUM HARBOUR LTD., BEARSPAW AT 144TH AVENUE LTD., BEARSPAW AT 144TH EQUITIES LTD., BEARSPAW AT 144TH BONDS INC., TSEHUM HARBOUR EQUITIES LTD., TSEHUM HARBOUR BONDS LTD., AND ORILLIA INVESTMENTS LTD.

SUPPLEMENT TO THIRD REPORT OF THE MONITOR (DIP FINANCING)

ERNST & YOUNG INC.

October 7, 2009

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INTRODUCTION

1. On August 10, 2009, Shire International Real Estate Investments Ltd. ("Shire"), Shire Capital Ltd., Halama Gardens LLC, Shire Asset Management Ltd., Winn River Resort Ltd., Fort McMoney Properties II Ltd., Halama Gardens Ltd, Maples and White Sands Investments Ltd., Fort McMoney Properties Ltd., Chemainus Properties Ltd., Skaha Lake Development Ltd., Tsehum Harbour Ltd., Bearspaw at 144th Avenue Ltd., Bearspaw at 144th Equities Ltd., Bearspaw at 144th Bonds Inc., Tsehum Harbour Equities Ltd., Tsehum Harbour Bonds Ltd., and Orillia Investments Ltd. (collectively, "the Applicants" or "Shire Group") sought and obtained protection from their creditors under the Companies' Creditors Arrangement Act, R.S.C. 1985 c. C-36, as amended, (the "CCAA") pursuant to an order of this Honourable Court (the "Preliminary Initial Order").

2. Subsequent to the Preliminary Initial Order, the Alberta Securities Commission ("ASC") sought and obtained certain amendments to the Preliminary Initial Order clarifying terms relating to the actions commenced by the ASC with respect to the interim cease trade order extension dated June 15, 2009. For the purposes of this report, the Preliminary Initial Order, together with the ASC amendments thereon will be referred to as the Initial Order.

3. Pursuant to the Initial Order, Ernst & Young Inc. was appointed monitor of the Applicants during these CCAA proceedings (the "Monitor").

4. The purpose of this Supplement to the Third Report of the Monitor (the "Fourth Report") is to provide this Honourable Court with an update in respect to the Applicants request of this Honourable Court to approve certain debtor in possession financing from Echo Merchant Fund Ltd. (the "Echo DIP Financing").

5. Capitalized terms not defined in this Supplement to the Third Report are as defined in the Initial Order. All references to dollars in this Third Report are in Canadian currency unless otherwise noted.

TERMS OF REFERENCE

6. In preparing this Supplement to its Third Report, the Monitor has relied upon unaudited financial information, the Applicants records and discussions with management of the Applicants. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of such information contained in this report. Some of the information referred to in this report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Canadian Institute of Chartered Accountants ("CICA") Handbook has not been performed. Future oriented financial information relied upon in this report is based on management's assumptions regarding future events and actual results achieved will vary from this information and the variations may be material.

BACKGROUND

7. The business of the Applicants has been the financing, purchase and contracting for development of commercial, recreational and residential real estate in Alberta, British Columbia, Ontario, Hawaii, Belize and Mexico. A detailed background with respect to the Applicants is provided in the affidavit of Cleone Couch dated August 7, 2009 with respect to these proceedings (the "August 7th Couch Affidavit") and the previous reports of the Monitor. These documents and other information regarding these CCAA proceedings, including the Initial Order, have been posted by the Monitor on its website at: www.ey.com/ca/Shire.

ECHO DIP FACILITY

8. The Applicants were authorized to borrow funds under a credit facility from the Kairos Funding Group Inc. (the "Initial DIP Lender") in order to finance the Applicants required cash flow needs. The Initial DIP Lender's facility was not to exceed $1.0 million.

9. As set out in the Monitor's Third Report, the Applicants cash flow requirements through the requested extension of the Stay Period up to and including December 8, 2009, indicate that additional borrowings will be required to allow the Applicants to implement the proposed Management Committee and RFP Process. Upon review of the cash flow requirements by both the Applicants and the Monitor, it was determined that the Applicant would require DIP financing in the amount of approximately $2.2 million which would be used to:

   a. Repay the amounts owed to the Initial DIP Lender of approximately $900,000; and

   b. To provide an additional $1.3 million to fund the restructuring process over the Revised Forecast period.

10. Without additional DIP financing or an immediate sale of assets (which given the nature of the assets is not practicable in the near term), the Applicants will not be able to continue with the CCAA structure which will likely result in a piece meal liquidation in an uncoordinated fashion of the Applicants' various properties. Such a liquidation may result in lower recoveries than those obtained through an orderly restructuring.

11. The Applicants solicited firm commitments for additional DIP financing from the existing DIP Lender and other institution who provide DIP financing. Ultimately the Applicants selected Echo Merchant Fund II Ltd. ("Echo") and a commitment letter was finalized on October 7, 2009.

12. The selection of the DIP lender was based upon, but not limited to, the following criterion:

   a. Industry experience;

   b. Reputation within the local financial lending industry;

   c. Terms and conditions within the Commitment Letter;

   d. Associated fees charged by the DIP Lender; and

e. Ability to provide a binding commitment letter on a timely basis.

13. A copy of the Echo commitment letter is attached to the October 7, 2009 affidavit of Mrs. Cleone Couch.

14. A summary of the proposed terms of the Echo DIP Loan is set out below:

a. A demand facility in the amount of $2.5 million (the "DIP Facility");

b. The DIP financing ranks in priority to all secured debts of the Applicants except for the administration charge as set out in the Initial Order and certain charges as set out in draft Receivership Order;

c. Interest rate of 18% per annum;

d. A facility fee of 3% of the DIP Facility, fully earned and payable upon acceptance of the Echc DIP Loan;

e. A stand by fee equal to 6% per annum of the unused portion of the DIP Facility;

f. Interest payments due monthly, with the principal amount due on maturity;

g. The Echo Dip Loan is conditional upon approval by this Honourable Court.

h. The effective cost of the Echo DIP Loan is approximately 21% on an annualized basis.

15. The Monitor believes that the Applicants' process to obtain DIP financing was reasonable and appropriate in the circumstances, given the certain complexities of this CCAA proceeding as well as timing issues with respect to the required financing.

16. The following table was presented in the Monitor's Third Report which summarizes the purchase price or recent appraised value of the Applicants' properties as compared to secured charges. For properties with no recent appraisals, the purchase price was used; however, if a recent appraisal or indication in value was available (such as third party offer), that value was used.

Shire Group
Property Summary

	Project analysis				Investors		
Project	Purchase price/appraised value (note 1)	Third party mortgages	Mortgage Units	Purchase price less mortgages	Class B Preferred Bonds	Mortgage Units	Total
	a	b	c	a + b + c	d	e	d+e
Bearspaw	9,000,000	(8,100,000)	-	900,000	20,239,300	-	20,239,300
Chemainus	780,000	-	-	780,000	6,571,300	-	6,571,300
Ft McMoney	7,000,000	(1,900,000)	-	5,100,000	7,762,403	-	7,762,403
Ft McMoney II	9,600,000	-	(6,490,000)	3,110,000	-	6,490,000	6,490,000
Halama Gardens	-	-	-	-	2,216,644	-	2,216,644
Hawaii Fund	-	-	-	-	1,396,500	-	1,396,500
Orillia	2,900,000	(1,900,000)	-	1,000,000	390,100	-	390,100
Shire Capital	-	-	-	-	-	-	-
Skaha Lake	2,500,000		-	2,500,000	8,423,593	-	8,423,593
Tsehum Harbour	3,500,000	(2,900,000)	-	600,000	4,614,349	-	4,614,349
MWS	3,000,000	-	(11,024,900)	-	-	11,024,900	11,024,900
Project Companies	38,280,000	(14,800,000)	(17,514,900)	13,990,000	51,614,189	17,514,900	69,129,089
Shire	6,344,000	(3,635,000)	-	2,709,000			
Total	44,624,000	(18,435,000)	(17,514,900)	16,699,000	51,614,189	17,514,900	69,129,089

Note 1 - Bearspaw estimated value is the mid point in the estimated value as at September 15, 2009 determined by Tony Omura
- Fort McMoney market value as at September 9, 2008 determined by Tony Omura appraisal dated October 10, 2008.
- Fort McMoney II based on conditional purchase and sale agreement

17. The table above indicates that there is apparent equity in the Applicants' assets based on the above noted assumptions. Accordingly, the Monitor does not believe the DIP financing to be unduly prejudicial to the creditors of the Applicants.

18. The Monitor does not have sufficient information available to it to conduct a liquidation analysis. The Monitor notes, however, that a liquidation will likely entail the appointment of a court officer with attendant court-ordered fees ranking in priority to existing creditors. Moreover, at this nascent stage of the within proceedings, it has not been determined the extent to which the investor creditors of the various Applicants will wish to attempt to preserve the underlying assets in preference to an immediate liquidation.

RECOMMENDATIONS

19. The Monitor recommends the approval of the Echo DIP Facility.

All of which is respectfully submitted this 7th day of October 2009.

ERNST & YOUNG INC.

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in its capacity as Court Appointed Monitor
of Shire International Real Estate Investments Ltd. et. al

Deryck Helkaa, CA·CIRP
Senior Vice-President

Kevin Meyler, CA·CIRP
Vice President

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SUPPLEMENT TO THIRD REPORT OF THE MONITOR

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